

Torricelli Pressed Hard to Help Big Donor Pursue Korean Deal Letters Show Wider Role Than Senator Described

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This article was reported by David Kocieniewski, Tim Golden and Don Kirk and was written by Mr. Kocieniewski.

When David Chang, a New Jersey businessman, set out to buy one of South Korea's largest insurance companies in 1998, he had no experience in insurance and nowhere near the \$1.5 billion being sought for the company. But he did have a friend with some influence in South Korea, Senator Robert G. Torricelli.

Mr. Torricelli, the New Jersey Democrat, has insisted that he did no more for Mr. Chang than he would have done for any constituent. One of his aides wrote a letter of introduction for Mr. Chang's company; it was so perfunctory, Mr. Torricelli's office said, that the senator didn't even bother to review it. "Senator Torricelli has never discussed Mr. Chang's business matters with any Korean government officials," the office said in a statement last fall.

But a detailed examination of the insurance deal by The New York Times shows that Mr. Torricelli in fact played a busy, behind-the-scenes role in support of Mr. Chang's bid for the insurer — writing letters to Korean leaders, meeting with senior officials in Korea and recommending Mr. Chang, one of his most generous supporters, and his New Jersey company, Panacom Inc., in glowing terms.

"I present them to you with my strongest possible recommendation," he wrote in a September 1998 letter to South Korea's president, Kim Dae Jung, according to a copy of the letter reviewed by The Times.

Mr. Torricelli also ruffled more than a few feathers along the way.

After he took Mr. Chang along to a July 7, 1999, briefing on economic issues with South Korea's finance minister and used the occasion to lobby for Panacom, American diplomats in Seoul were so concerned that the United States ambassador later apologized to the minister, one former official said.

What help Mr. Torricelli gave to Mr. Chang, 57, has become a critical question as a wide-ranging federal inquiry into the activities of the senator and his staff has focused on allegations that he took tens of thousands of dollars in unreported cash and gifts from Mr. Chang from 1996 to 1999. Federal law requires that public officials disclose the gifts they receive and strictly limits the value of gifts that legislators can take from any one source, exempting those given by personal friends. It is also illegal to take gifts in exchange for official acts, although such a link is often hard to prove.

Mr. Torricelli has cast his relationship with Mr. Chang in two ways: as a friendship — one in which he scarcely lifted an official finger for Mr. Chang — and as a political relationship typical of those that legislators have with big contributors.

Mr. Chang, who pleaded guilty last June to making \$53,700 in illegal donations to the senator's 1996 campaign, was certainly an important Torricelli supporter. Besides his contributions to Mr. Torricelli's Senate race, Mr. Chang gave tens of thousands of dollars to other Democratic

political causes in 1998 and 1999, when Mr. Torricelli was heading the Democrats' fund-raising efforts in the Senate, and has told investigators that he made many of them at the senator's request, people involved in the Torricelli case said.

Both Mr. Chang and his former assistant, Audrey Yu, have also told federal prosecutors that Mr. Torricelli stood to realize a financial windfall if they were successful in their bid for the Korean insurance company.

Mr. Chang, who has been cooperating with the government as part of a plea bargain, has told them that he promised the senator a \$10 million commission if the deal went through, according to people involved in the inquiry and a former employee of Mr. Chang's. Ms. Yu has confirmed to prosecutors that Mr. Torricelli was to get a commission on the deal, but told prosecutors she believed that it was to be \$1 million, these people said. It could not be determined whether prosecutors, who declined to comment on the Torricelli case, have obtained any corroboration of these allegations.

Mr. Torricelli would not discuss

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his efforts in Korea. One of his lawyers, Ted Wells, also declined to address the discrepancies between the senator's earlier assertions that he had not helped Panacom and the accounts of Korean and American officials and former employees of the company.

Mr. Wells denied that Mr. Torricelli had done anything wrong, but said he could not comment on any matters related to Mr. Chang or the federal investigation because of discussions between prosecutors and the senator's legal team. He added, "We have come to expect not only false and irresponsible charges concerning David Chang, but increasingly bizarre ones." Mr. Chang's lawyer, Bradley D. Simon, said he could not comment because of the continuing federal inquiry, as did a lawyer for Ms. Yu, Alberto Rivas.

Nearly two years after Mr. Chang abandoned his bid for the insurer, Daehan, or Korea Life Insurance Company, what has become clear is that Panacom, which he incorporated in Delaware in 1997, was hardly the enterprise that its executives — and Mr. Torricelli — described to Korean officials.

On its Web site, Panacom described itself as an international powerhouse: "Our activities span many industries and include food, medical products, construction, telecommunications, transportation, waste management, water treatment, sewage disposal, consumer electronics, mining, crude oil and gas exploration and development, machinery, heavy equipment and power plant design and equipment."

In fact, several former employees said, Panacom was only somewhat more than a shell. Although Mr. Chang told Korean officials he employed 300 to 400 people, the company actually never had more than a handful of employees. Other than grain trading that Mr. Chang had done with North Korea in the early 1990's (and for which he still claims to be owed tens of millions of dollars by the North Korean government), his primary international financial deals had involved losing large amounts of money on foreign stocks, his former employees said.

What Panacom did have, however, were powerful political connections.

The company's nominal chairman, Daniel J. Murphy, was a retired four-star Navy admiral who had been a deputy director of the Central Intelligence Agency, chief of staff to George Bush in the early 1980's when he was vice president and a \$20,000-a-month lobbyist for Mr. Chang during the 1990's.

Mr. Chang named another of his lobbyists, James A. Courter, the former six-term Republican congressman from New Jersey, as one of Panacom's two presidents. And for a high-powered consultant, Mr. Chang hired Terry McAuliffe, a close friend

of President Clinton and former American trade ambassador in South Korea who has since become chairman of the Democratic National Committee. Mr. Chang himself took the title of vice president and senior adviser.

Asked about his own role in Panacom's efforts, Mr. Torricelli issued a statement last fall suggesting that it had been negligible.

"Senator Torricelli has never discussed Mr. Chang's business matters with any Korean officials," the statement said. "A few years ago, a staff assistant provided Mr. Chang with a letter of introduction that was nearly identical to similar letters of introduction provided by Governor Christie Whitman and various members of Congress," the statement said. "Such letters are standard and available to any New Jersey company seeking a reference to embassies

A U.S. investigation into reports of undisclosed gifts.

or foreign governments, and they were not reviewed by the senator personally."

But according to diplomatic cables, letters from Mr. Torricelli, former Panacom employees and United States and Korean officials, the senator took an active part in trying to help Panacom win the bid.

When Mr. Chang set his sights on Daehan in the summer of 1998, he faced formidable competition.

The insurance company, South Korea's third-largest, had huge debts and a bloated work force and — after the near-collapse of the country's financial system in 1997 — uncertain prospects for growth. But such was its position in the world's sixth-biggest insurance market that soon after the South Korean government announced that it would be sold, its suitors included such international companies as the American International Group and Metropolitan Life Insurance.

Almost immediately, Panacom turned to Mr. Torricelli for help, and on Sept. 24, 1998, the senator wrote two important letters to Korean officials, documents and interviews show.

One letter, Korean officials said, was addressed to Lee Hun Jai, the director general of the country's Financial Supervisory Commission, the government agency in charge of the nation's financial restructuring. According to Chung Chae Woong, the director of the agency's insurance division, the letter introduced a Panacom official who had visited Korea,

Michael Kimm, and described the company as "experienced in financial transactions."

A second letter went to Korea's president, Mr. Kim, an old friend of Mr. Torricelli's whom the senator had embraced at a White House state dinner and played host to at a reception in New Jersey barely three months earlier.

"In light of my extensive experience with and knowledge of Korea, I thought it might be of mutual assistance to bring Mr. Kimm and Panacom Inc. to your attention," Mr. Torricelli wrote, according to a copy of that letter viewed by The Times. "I am confident that Mr. Kimm and Panacom can diligently and responsibly handle even the most difficult international financial transactions, and I present them to you with my strongest possible recommendation. I look forward to working with you and your government on issues important to the security and prosperity of our respective countries."

One former Panacom official said that after Mr. Torricelli's letters, Mr. Kimm was soon granted an audience with Mr. Lee, the Financial Supervisory Commission chairman. Mr. Kimm did not respond to several telephone calls asking for comment, but the former Panacom official and two Korean officials described his efforts as highly unsuccessful.

"We knew that they were cheating," a senior Korean finance official, Lee Jong Koo, said of Panacom's bid for the insurance company. "We could feel it."

Former associates of Mr. Chang said he was discouraged enough to decide not to participate in a government-sponsored auction of the company. But when the government voided that auction, Mr. Chang tried again, approaching American International Group and other American insurers about a possible partnership and calling once more on senior Korean officials.

The former associates of Mr. Chang said the Panacom chairman, Mr. Murphy, took the lead, meeting in late June 1999 with the Korean



Ruth Fremson/The New York Times

Senator Robert G. Torricelli

prime minister Kim Jong Pil, whose brother he had once represented as a lobbyist. In late June 1999, Mr. Murphy and Mr. Chang met with the prime minister and told him they wanted to bid for the insurance company outside the auction process, the former associate said, promising to pay a higher price than the others and to preserve much of the company's work force.

While Mr. Kim appeared receptive, one former Panacom employee said, Korean finance officials pressed to know how Panacom would come up with the money. Mr. Chang responded again with a recommendation from Mr. Torricelli.

At about the same time, according to a State Department cable released under the Freedom of Information Act, the department notified the United States Embassy in Seoul that Mr. Torricelli would be passing through the city on July 6 and 7, 1999, to meet with Prime Minister Kim and the Korean finance minister, Kang Bong Kyeon. The cable said that Mr. Torricelli, a member of the Senate Foreign Relations Committee, wanted to meet with them "to

Overtures so forceful that diplomats apologized.

discuss the political, economic, and humanitarian developments in North Korea," where he was scheduled to go after his stop in Seoul.

But when Mr. Torricelli walked into Mr. Kang's office, it was with Mr. Chang at his side. In a telephone interview, Mr. Kang suggested that Mr. Torricelli and Mr. Chang pressed him for help on the Korea Life Insurance deal, but that he would have no part of it.

"At the time, I said I could not intervene," and told him nothing substantive," Mr. Kang said in the interview. "I didn't have any detailed information. I just listened and I did not respond."

American diplomats who helped with Mr. Torricelli's visit were sufficiently startled by Mr. Chang's presence at the meeting to alert the United States ambassador, Stephen W. Bosworth. The ambassador, in turn, was concerned enough to contact Mr. Kang to apologize, a former State Department official said.

"The Embassy's impression was that Torricelli was going to go in by himself and talk about North Korea and the state of the South Korean economy," said the former official. "Had the finance minister known that he was going to be lobbied on the Daehan insurance company, he would not have granted the meeting."

Mr. Bosworth later promised Mr. Kang that such an episode "would not happen again," the former official said. "For an elected official of the United States to do it this way was a little out of the ordinary — to say the least."

Mr. Torricelli sent off yet another letter for Panacom on July 15, Korean officials said, to Prime Minister Kim in praise of the company. Ultimately, though, the efforts of Mr. Torricelli and Panacom's other supporters were for naught. Despite its promises to raise the necessary funds from New Jersey pension funds and other sources and a last-ditch partnership between Panacom and the Korea Life Insurance Company's owners, Korean finance officials intervened in September 1999 to take over the insurer themselves.

Within weeks, Mr. Chang's offices in New Jersey were raided by federal agents. And on Dec. 10, he was arrested on charges that eventually included obstruction of justice, soliciting perjury and illegal campaign contributions to Mr. Torricelli.